



REDEVELOPMENT AGENCY

MEETING DATE: *June 25, 2003*

Morgan Hill Downtown Association (MHDA) Agreement

RECOMMENDED ACTION(S):

Authorize the Executive Director to negotiate and execute an agreement with the Morgan Hill Downtown Association (MHDA) in an amount not to exceed \$80,000, subject to Agency General Counsel approval.

EXECUTIVE SUMMARY:

In 2001, the Agency commissioned Burnes Consulting to prepare a study to assess the needs and wants of the downtown merchants and property owners, estimate the costs for constructing desired capital improvements, and recommend a strategy for maintaining those improvements.

Burnes recommended that the Redevelopment Agency allocate \$250,000 as “seed money” for the formation and establishment of a new “Main Street Program” in Morgan Hill. This funding was to be spread over three years. By the fourth year, the newly formed downtown agency, the Morgan Hill Downtown Association (MHDA), would need to become self-sufficient.

On November 28, 2001, the Agency Board committed up to \$50,000 to the to-be-formed MHDA to get established. Approximately \$24,000 was actually spent. These funds were used for legal services to form the new organization, provide office and start-up costs, hire an interim director, and purchase holiday decorations for the downtown.

In its first full year of operations (FY 2002-03), the MHDA requested \$86,000 in Agency funds. Following the Main Street format, the MHDA set up four standing committees and developed a series of projects for each committee to accomplish. Among the completed first year tasks were: recruitment of a permanent executive director, published a quarterly newsletter, designed a corporate logo, established a quarterly group advertising program, assumed responsibility for “Safe Trick or Treat”, joined with Hometown Holidays, Inc to co-sponsor and expand the downtown Christmas season campaign, initiated the Spring Happening to coincide with the opening of the Farmers’ Market, and increased planting and maintenance downtown.

In an effort to make the Agency grant stretch over its first three years, the MHDA has reduced its FY 2003-04 request to \$80,000 (see the attached Scope of Work & Budget). Following procedures established last year, the MHDA is requesting that the Agency advance funds to them at the start of each quarter. The MHDA has agreed to work with the Agency and the City Council’s Economic Development subcommittee in developing measurable goals, and to make quarterly progress reports to City Council, upon request.

FISCAL IMPACT:

The Agency originally allocated \$250,000 for the MHDA, over a three-year period. To date, \$109,683 has been spent. Sufficient funds exist in the FY 2003-04 Business Assistance Programs (317) budget for this request of \$80,000.

Agenda Item # 1

Prepared By:

BAHS Analyst

Approved By:

BAHS Director

Submitted By:

Executive Director



REDEVELOPMENT AGENCY
STAFF REPORT

MEETING DATE: June 25, 2003

MAY 2003 FINANCE & INVESTMENT REPORT

RECOMMENDED ACTION:

Accept and File Report

EXECUTIVE SUMMARY: Attached is the monthly Finance and Investment Report of the Redevelopment Agency of the City of Morgan Hill for the month of May 2003. The report covers activity for the first eleven months of the 2002/2003 fiscal year. A summary of the report is included on the first page for the Board's benefit.

The Redevelopment Agency monthly Finance and Investment Report is presented to the Agency Board and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity of the Redevelopment Agency.

FISCAL IMPACT: As presented.

Agenda Item # 2

Prepared By:

Finance Director

Submitted By:

Executive director

**REDEVELOPMENT AGENCY OF
THE CITY OF MORGAN HILL**

Monthly Financial and Investment Reports

May 31, 2003 – 92% Year Complete



**CITY OF MORGAN HILL
REDEVELOPMENT AGENCY**

Prepared by:

FINANCE DEPARTMENT



REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2002/03
FOR THE MONTH OF MAY 2003 - 92% OF YEAR COMPLETE

Revenues

Through May, the Redevelopment Agency received \$16,593,234 in property tax increment revenues. This total has been reduced by \$581,354 which the Redevelopment Agency paid back to the County in May 2003, as required by a State law enacted to help balance the 2002/03 State budget prior to adoption of that budget. The Redevelopment Agency, as of May 31, 2003, has collected \$100,000,000 in tax increment revenue under the original plan and \$53,549,814, net of pass-through obligations to other agencies, toward the plan amendment cap of \$147,000,000. Since the \$100 million tax increment cap for the original plan was reached during 1999/2000, all tax increment revenues collected during 2002/2003 are being collected under the plan amendment.

Interest and rental income of \$620,458 reflects interest income received through the first three quarters ended March 31. Interest earnings for the months of April and May will be posted in June when fourth quarter earnings are allocated. 'Other Revenues' represent charges for current services and total \$108,758.

Expenditures

Total Redevelopment Agency Capital Projects expenditures and encumbrances equal \$19,761,292 and are 61% of budget. Of this total, \$3,397,587 represents encumbrances for capital projects and other commitments. Expenditures for administrative costs for employee services, supplies, and contract services were 84% of budget. During July, the Agency made a \$2.55 million installment payment towards the purchase of the Sports Complex. During September, the Agency spent \$452,977 on property acquisitions related to the Indoor Recreation Center and Butterfield Blvd. Phase IV projects. During October, the Agency placed \$100,000 into escrow for the purchase of the Courthouse Facility property. During November, the Agency placed approximately \$318,000 into escrow for purchase of property for the Butterfield Blvd. Phase IV street project. All Capital Projects expenditures during 2002/03 have used monies collected under the plan amendment.

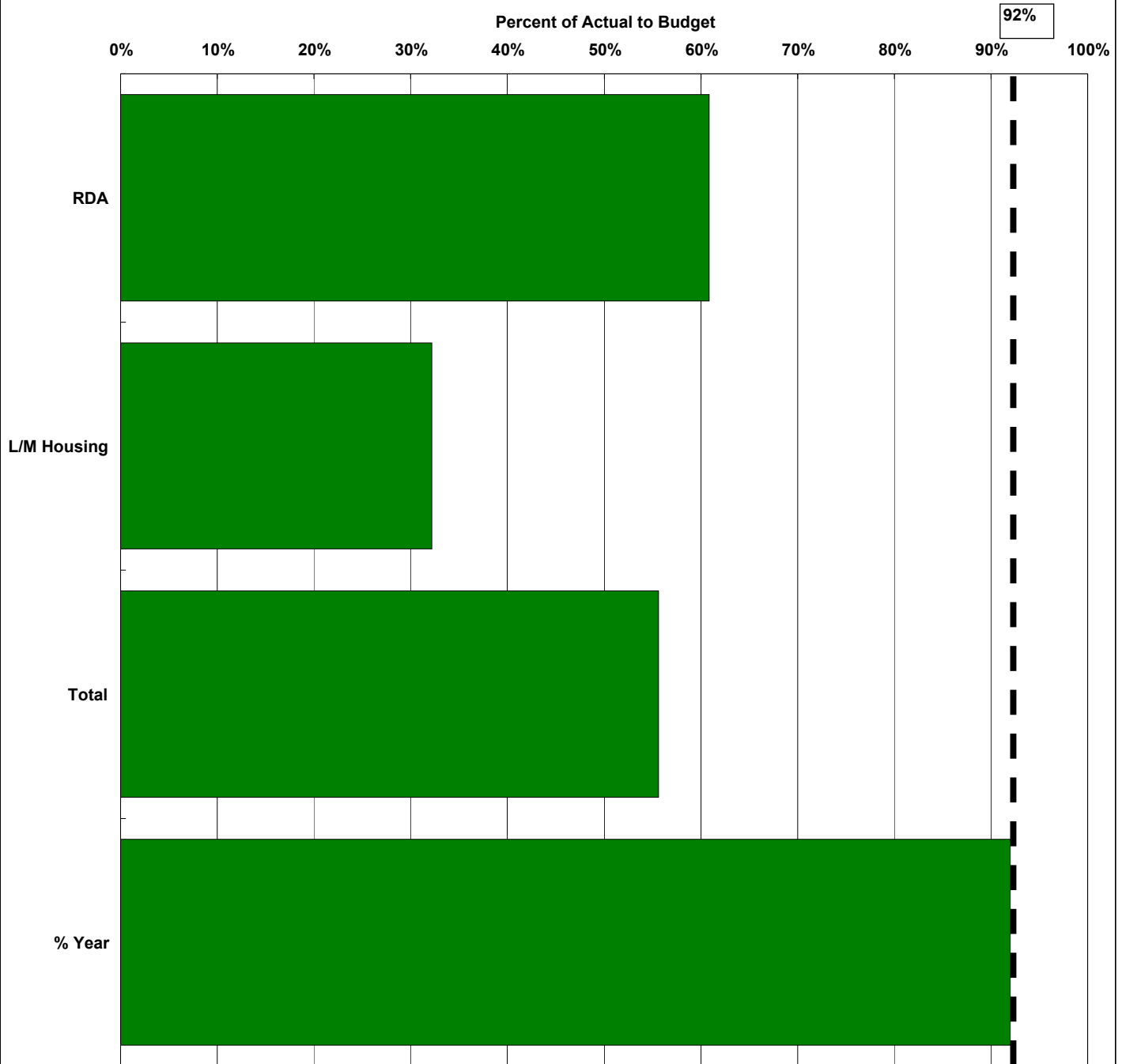
Budgeted expenditures plus encumbrances for Housing are at 32% of the budget for a total of \$2,329,407. Although certain loans and grants for various housing loan and grant programs have been committed, the related funds have not yet been drawn down by the recipients and, hence, are not reflected in the expenditures. All of the 2002/03 housing related expenditures have been funded with tax increment collected under the plan amendment.

Fund Balance

The unreserved fund balance of \$14,234,498 for the Capital Projects Fund at May 31, 2003, consisted entirely of monies collected under the plan amendment. The unreserved fund balance of \$14,234,498 at May 31 included future obligations to pay an additional \$6.9 million for the Courthouse Facility, an additional \$3,250,000 for purchase of the Gundersen property, an additional \$2.55 million for a sports complex, and \$1.61 million for the Lomanto property should the Agency agree to execute its option to purchase in accordance with the agreement. If all these future commitments are subtracted from the \$14,234,498, the remaining unreserved fund balance at May 31 would be a negative (\$75,702). However, these commitments are expected to be paid out over the next 3 years and to reduce current resources by only an additional \$3.4 million in 2002/03.

The unreserved fund balance of \$5,630,525 for the Housing Fund at May 31 consisted of funds all collected under the plan amendment.

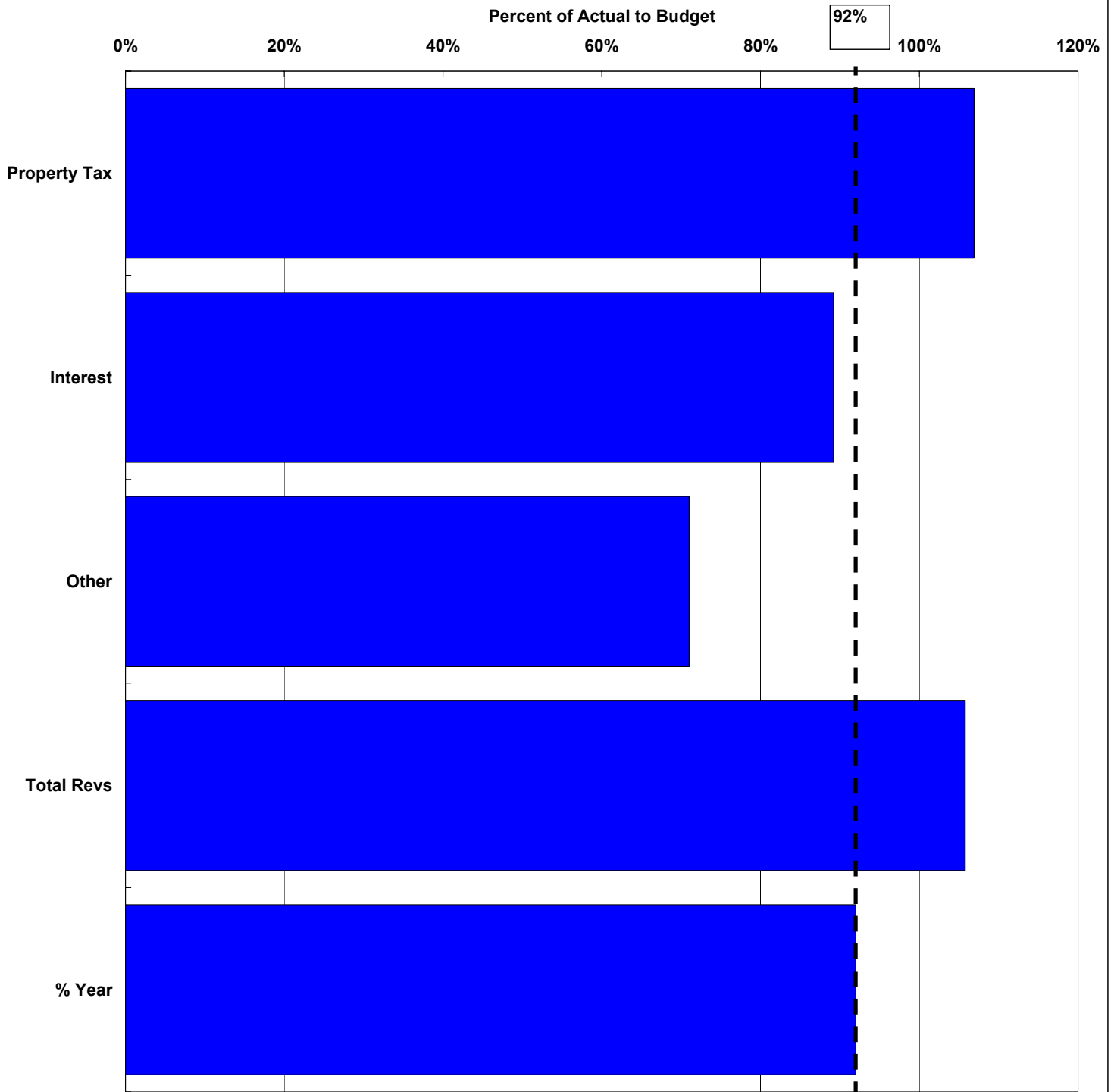
Redevelopment Agency YTD Expenditures



Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
CAPITAL PROJECTS	\$32,464,906	\$19,761,292	61%
HOUSING	7,238,925	2,329,407	32%
TOTALS	\$39,703,831	\$22,090,699	56%



Redevelopment Agency YTD Revenues



REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY TAXES	\$15,522,000	\$16,593,234	107%	\$14,252,528	16%
INTEREST INCOME/RENTS	\$695,853	\$620,458	89%	\$857,723	-28%
OTHER REVENUE	\$153,090	\$108,758	71%	\$721,734	-85%
TOTALS	\$16,370,943	\$17,322,450	106%	\$15,831,985	9%



Redevelopment Agency
 Fund Balance Report - Fiscal Year 2002/03
 For the Month of May 2003
 92% of Year Complete

Fund No.	Fund	Fund Balance 06-30-02	Revenues		Expenditures		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved	Unrestricted	Restricted
317	CAPITAL PROJECTS	\$22,668,149	13,271,705	103%	16,363,705	50%	(3,092,000)	5,341,652	14,234,498	17,614,278	
327/328	HOUSING	\$20,823,005	4,050,745	114%	2,305,169	32%	1,745,576	16,938,055	\$5,630,525	5,657,801	
TOTAL CAPITAL PROJECT FUNDS		\$43,491,154	17,322,450	106%	18,668,874	47%	(1,346,424)	22,279,707	19,865,023	23,272,079	
SUMMARY BY FUND TYPE											
	CAPITAL PROJECTS GROUP	\$43,491,154	17,322,450	106%	18,668,874	47%	(1,346,424)	22,279,707	19,865,023	23,272,079	
TOTAL ALL GROUPS		\$43,491,154	17,322,450	106%	18,668,874	47%	(1,346,424)	22,279,707	19,865,023	23,272,079	
TOTAL CASH AND INVESTMENTS										23,272,079	

¹ Amount reserved for encumbrances, fixed asset replacement, long-term receivables



Redevelopment Agency
Year to Date Revenues - Fiscal Year 2002/03
For the Month of May 2003
92% of Year Complete

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGETED	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCREASE (DECREASE) FROM PRIOR YTD	% CHANGE
CAPITAL PROJECTS FUNDS							
317 CAPITAL PROJECTS							
Property Taxes & Supplemental Roll	12,084,000	12,084,000	12,889,378	107%	11,176,310	1,713,068	15%
Development Agreements	-	-	-	n/a	-	-	n/a
Interest Income, Rents	595,853	595,853	274,569	46%	691,830	(417,261)	-60%
Other Agencies/Current Charges	<u>152,500</u>	<u>152,500</u>	<u>107,758</u>	<u>71%</u>	<u>720,984</u>	<u>(613,226)</u>	<u>-85%</u>
TOTAL CAPITAL PROJECTS	<u>12,832,353</u>	<u>12,832,353</u>	<u>13,271,705</u>	<u>103%</u>	<u>12,589,124</u>	<u>682,581</u>	<u>5%</u>
327/328 HOUSING							
Property Taxes & Supplemental Roll	3,438,000	3,438,000	3,703,856	108%	3,076,218	627,638	20%
Interest Income, Rent	100,000	100,000	345,889	346%	165,893	179,996	109%
Other	<u>590</u>	<u>590</u>	<u>1,000</u>	<u>169%</u>	<u>750</u>	<u>250</u>	<u>33%</u>
TOTAL HOUSING	<u>3,538,590</u>	<u>3,538,590</u>	<u>4,050,745</u>	<u>114%</u>	<u>3,242,861</u>	<u>807,884</u>	<u>25%</u>
TOTAL CAPITAL PROJECTS FUNDS	16,370,943	16,370,943	17,322,450	106%	15,831,985	1,490,465	9%



Redevelopment Agency
Year to Date Expenditures - Fiscal Year 2002/03
For the Month of May 2003
92% of Year Complete

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENDITURES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENDITURES	OUTSTANDING ENCUMBRANCES	TOTAL ALLOCATED	% OF TOTAL TO BUDGET
317 CAPITAL PROJECTS								
	BAHS Administration	783,650	1,234,039	1,379,801	1,054,692	99,417	1,154,109	84%
	BAHS Economic Development	10,678	5,348,370	5,396,069	490,436	50,150	540,586	10%
	BAHS CIP	<u>762,813</u>	<u>12,771,000</u>	<u>25,689,036</u>	<u>14,818,577</u>	<u>3,248,020</u>	<u>18,066,597</u>	<u>70%</u>
	TOTAL CAPITAL PROJECTS	<u>1,557,141</u>	<u>19,353,409</u>	<u>32,464,906</u>	<u>16,363,705</u>	<u>3,397,587</u>	<u>19,761,292</u>	<u>61%</u>
327 AND 328 HOUSING								
	Housing	<u>262,363</u>	<u>6,313,976</u>	<u>7,238,925</u>	<u>2,305,169</u>	<u>24,238</u>	<u>2,329,407</u>	<u>32%</u>
	TOTAL HOUSING	<u>262,363</u>	<u>6,313,976</u>	<u>7,238,925</u>	<u>2,305,169</u>	<u>24,238</u>	<u>2,329,407</u>	<u>32%</u>
TOTAL CAPITAL PROJECT FUND		1,819,504	25,667,385	39,703,831	18,668,874	3,421,825	22,090,699	56%



Redevelopment Agency of the City of Morgan Hill
Balance Sheet Report - Fiscal Year 2002/03
For the Month of May 2003
92% of Year Complete

	CAPITAL PROJECTS (Fund 317)	Housing (Fund 327/328)
ASSETS		
Cash and investments:		
Unrestricted	17,614,278	5,657,800
Accounts Receivable	34,101	9,445
Loans and Notes Receivable ¹	2,872,985	22,494,801
Advance to Other Funds		
Fixed Assets ²	71,049	
Other Assets		
Total Assets	20,592,413	28,162,046
LIABILITIES		
Accounts Payable and Accrued Liabilities	11,048	10,317
Deferred Revenue ³	999,969	5,580,985
Accrued Vacation and Comp Time	5,249	2,162
Total liabilities	1,016,266	5,593,464
FUND BALANCE		
Fund Balance		
Reserved for:		
Encumbrances	3,397,587	24,238
Advance to Other Funds		
Properties Held for Resale	71,049	
Loans and Notes Receivable	1,873,016	16,913,817
Total Reserved Fund balance	5,341,652	16,938,055
Unreserved Fund Balance	14,234,495	5,630,527
Total Fund Balance	19,576,147	22,568,582
Total Liabilities and Fund Balance	20,592,413	28,162,046

¹ Includes Housing Rehab loans and loans for several housing and Agency projects.

² Includes RDA properties held for resale.

³ Includes the deferred payment portion of the loans noted above.



CITY COUNCIL STAFF REPORT
MEETING DATE: June 25, 2003

**AWARD OF CONTRACT TO PROVIDE PUBLIC WORKS
PLAN CHECKING SERVICES ON AN AS-NEEDED BASIS**

RECOMMENDED ACTION(S):

1. Approve a Professional Services Contract with Harris & Associates, Inc. to provide land development plan checking services on an as-needed basis at a not-to-exceed cost of \$100,000 for FY 03-04.
2. Authorize the City Manager to execute the contract, subject to review and approval from the City Attorney.

EXECUTIVE SUMMARY: Private development activity and its associated workload continues to extend beyond what the current staff is capable of reviewing. As such, additional assistance is needed to process the plans quickly to meet the State statutes for plan review and provide services to guarantee the improvements are designed to City standards.

The City negotiated with Harris and Associates due to the expertise they have shown over the past five years in processing land development applications for the City of Morgan Hill. City staff believes that they will provide the best services for the projected costs. As in the past, it is anticipated that Harris personnel will continue to be used on a three day a week basis to assist city staff with the processing of land development applications. The funds to pay for these services are collected from the fees paid for land development processing.

FISCAL IMPACT:

The contract cost for the contract plan checking services is \$100,000 and will be funded from our Contract Services sub-account in the Public Works Community Development Engineering account.

Agenda Item # 3

Prepared By:

**Deputy PW Director -
Engineering**

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT
MEETING DATE: June 25, 2003

**AWARD OF CONTRACT TO PROVIDE PUBLIC WORKS
INSPECTIONS ON AN AS-NEEDED BASIS**

RECOMMENDED ACTION(S):

1. Approve a Professional Services Contract with Testing Engineers, Inc. (TEI) to provide public works inspection services on an as-needed basis at a not-to-exceed cost of \$127,000 for FY 03-04.
2. Authorize the City Manager to execute the contract, subject to review and approval from the City Attorney.

EXECUTIVE SUMMARY: As in the past years, public improvement construction has continued at a high level of activity. As a result, the requests for engineering and inspection services also remain high. This first agreement will provide for contract public works inspections on an as needed basis to ensure that all public improvements associated with development and CIP projects are installed properly and that delays in the construction projects are minimized.

TEI was selected due to their ability to provide services that other inspection companies were unable to provide, namely compaction testing and daily public works related inspections. Furthermore, TEI has a certified soils, asphalt and concrete laboratory to assist the inspectors with complicated field conditions related to the installation of improvements in the public right-of-way. The final cost was negotiated to include inspection services and the use of a specialized soils compaction gauge. TEI has been providing these services on a contract basis for the past four years.

The contract inspectors will be used during the times of high construction activity. The funds to pay for these services will be collected from the fees paid for land development processing or from budgeted CIP project accounts. During the slower construction months, the inspections will be handled solely by full-time Public Works Inspectors.

FISCAL IMPACT:

The cost for the contract inspection services is \$127,000 and will be funded from FY 02/03 Contract Services sub-account in the Public Works Community Development Engineering and Public Works Capital Improvement Program accounts. The contract costs are split with 50% assigned to Fund 206-42231-5410 and 50% assigned to Fund 745-42231-8280.

Agenda Item # 4

Prepared By:

**Deputy PW Director -
Engineering**

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: June 25, 2003

COMMUNITY INDOOR RECREATION CENTER

APPROVAL OF SUBCOMMITTEE APPOINTMENTS

RECOMMENDED ACTION(S): Approve Subcommittee Appointments

EXECUTIVE SUMMARY:

On May 28, 2003 Council approved a process of involving all appropriate interests in the Design Review Process for the Community Indoor Recreation Center.

Council directed staff to expand the two-Council member Subcommittee (Council members Hedy Chang and Greg Sellers) to include two members of the Parks and Recreation Commission, one member each from the Senior and Youth Advisory Committees, and one member from the Architectural Review Board.

The purpose of this staff report is to seek Council's approval of the expanded subcommittee member appointments. All Commissions and Committees have met and recommend the following appointments:

Parks and Recreation Commission: Commissioners Craig van Keulen and Rick Page with Daniel Kenney as alternate.

Senior Advisory Committee: Gloria Subocz

Youth Advisory Committee: Christopher England with Billy Lewis and Nick Singh as alternates

Architectural Review Board: Jim Fruit

This subcommittee will meet on scheduled Mondays from 3:30-5:00 PM. The Design Review Process is scheduled to take nine months. The Subcommittee is scheduled to meet 5 times during this period - three times during the Schematic Design phase and two times during the Design Development phase. All recommendations of the Subcommittee are subject to Council approval.

Two Subcommittee meetings are already scheduled. They are:

June 30, 2003 3:30-5:00 Community Cultural Center, Madrone Rm

Purpose: Kick off and Site Concepts Input

July 21, 2003 3:30-5:00 Community Cultural Center, Madrone Rm

Purpose: Finalize Site Design Recommendation

Tentatively, staff will bring the Subcommittee's recommendations to Council on August 20, 2003 regarding Site Design.

FISCAL IMPACT: None

Agenda Item # 5

Prepared By:

**Dep Dir
PW/Operations**

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: June 25, 2003

APPROVE LEASE FOR WOODLAND ESTATES

RECOMMENDED ACTION(S):

Approve lease agreement and authorize the City Manager to execute the lease of City-owned open space adjacent to Llagas Creek with Woodland Estates for the fee of \$1.00 per year.

EXECUTIVE SUMMARY: The City of Morgan Hill is the owner in fee of certain real property adjacent to Llagas Creek. Woodland Estates, a mobile home park adjacent to this real property, desires a lease. A similar agreement with the mobile home park currently exists but is scheduled to expire on June 30, 2003. The term of the lease is year to year for five years, and automatically renews each year unless terminated in writing by the City Manager. The use of the land is restricted to open space and recreational use. The agreement indicates that the tenant shall not unreasonably deny or interfere with the public's right to use the land.

FISCAL IMPACT: Fiscal impact is nominal. Staff costs are associated with lease preparation.

Agenda Item # 6

Prepared By:

Management Analyst

Approved By:

Department Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: June 25, 2003

AWARD OF CONTRACT FOR 2002-03 PAVEMENT RESURFACING PROJECT

RECOMMENDED ACTION:

1. Award contract to O'Grady Paving, Inc. in the amount of \$788,982 for construction of the 2002-03 Street Resurfacing and Reconstruction Project.
2. Authorize a \$78,898 (10%) construction contingency.

EXECUTIVE SUMMARY: Using both the results of the Metropolitan Transportation Commission Pavement Management System Report and our knowledge of past and future utility repair information, we have structured the 2002-03 Street Resurfacing Project to address the needs of pavement reconstruction and resurfacing for heavily traveled Monterey Road, and add alternate work for localized pavement failure and crack sealing on Tennant Avenue from Monterey to Vineyard Avenue and on Main Avenue from Peak Avenue to the western edge of the 101 Overpass. See attached map.

Regarding the pavement resurfacing work on Monterey Road, the project specifications call for it to be done at night from 10:00 PM to 5:00 AM to minimize disruption to commercial businesses. Given Council award at this time the contract includes sufficient days for construction and allows for completion of the work in early to mid September. Additional notifications will be sent to the merchants and/or residents affected providing a specific construction schedule.

The bid opening was conducted on Tuesday June 17, 2003. The bids received are listed below:

	<u>Base Bid</u>	<u>Bid Alternate #1</u>	<u>Bid Alternate #2</u>	<u>Total</u>
O'Grady Paving Inc.	\$738,438	\$37,500	\$13,044	\$788,982
Granite Rock Construction	781,996	44,950	12,465	839,411
El Camino Paving, Inc.	801,139	49,685	17,226	868,050
C.F. Archibald Paving Inc.	820,120	38,100	15,198	873,418
Granite Construction Co.	826,685	63,500	30,288	920,473
McGuire and Hester	827,775	62,300	22,130	912,205
Silicon Valley Paving Inc.	901,126	45,345	21,673	968,144

The low bid (based on the lowest base bid) was submitted by O'Grady Paving, Inc.

Sufficient funding has been withheld from this year's Pavement Resurfacing CIP allocation of \$1.467 million to provide an asphalt overlay of Tennant Avenue from Monterey to Vineyard Avenues. This work will be done after the Tenant Avenue widening project which includes raised concrete median improvements in this area.

FISCAL IMPACT: This project is funded as part of the 2002-03 Capital Improvement Program (CIP) Budget, Project # 519J03 using RDA funding of \$1,350,000. There is sufficient balance of this appropriation to fund the 2002-03 Pavement Resurfacing Project to O'Grady Paving in the amount of \$867,880 for the base bid work (\$738,438), bid alternate work (\$50,544), and 10% contingency (\$78,898).

Agenda Item #7

Prepared By:

Dep Dir Public Works

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: June 25, 2003

COUNTYWIDE HOUSEHOLD HAZARDOUS WASTE AGREEMENT

RECOMMENDED ACTION(S):

Direct Staff to Execute the Agreement with the County

EXECUTIVE SUMMARY: Since 1993, the City has met its obligation to provide for household hazardous waste disposal by participating in the Countywide Collection Program. This popular program provides City residents with the opportunity to participate in several collection events each month. The new permanent collection center in San Martin has dramatically improved the convenience associated with these services and, therefore, further increase the demand for them. Staff recommends that the City Manager be authorized to execute the attached Countywide household hazardous waste agreement.

FISCAL IMPACT: A maximum of \$10,000 in expenditures from the City will result from this action. This amount is currently proposed in the Environmental Programs Division's budget (Fund 232). The source of these funds is the franchise fee on solid waste services that is dedicated to AB 939 purposes.

Agenda Item # 8

Prepared By:

Assistant to the City Manager

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: June 25, 2003

PUBLIC WORKS MAINTENANCE AGREEMENTS FOR FY 2003/2004

RECOMMENDED ACTION(S):

1. Approve new maintenance agreements for: ¹Emergency Pump Maintenance and Repair for Booster Stations, ²Generator Maintenance Services, ³Emergency Repairs, Maintenance, Parts for Well Sites.
2. Approve one year extensions to Agreements for ⁴Laboratory Services for Potable Water Sampling and Analysis, ⁵Landscape Maintenance Services, ⁶Annual Tree Pruning and Removal.
3. Authorize the City Manager to execute the agreements/extensions on behalf of the City.

EXECUTIVE SUMMARY: Request for Proposal processes were held in order to award new contracts for Maintenance Services. The current contracts end on June 30, 2003. Staff recommends approval of new two year contracts as follows:

1. Emergency Pump Maintenance and Repair for Booster Stations: Dougherty Pump Service provided the low bid for Pump Maintenance and Repair of City Booster Stations. Dougherty has provided excellent service for the City's water system in the past. (\$30,000/yr, 2 years)
2. Generator Maintenance Services: Peterson Power Systems is the CAT authorized service center for the Morgan Hill area and provided the only bid. Peterson Power has provided sales, rentals, repair and service to the City for several years. Staff recommends approval of this contract based upon the rates submitted. (\$22,000/yr, 2 years)
3. Emergency Repairs, Maintenance and Parts for Well Sites: Salinas Pump and Equipment provided the low bid. They have provided maintenance, parts and repair services for the City's wells on an "as needed time and equipment" basis for several years. Response time to emergency situations has been excellent. Staff requests award of contract based upon time and equipment rates submitted. (\$60,000/yr, 2 years)

Staff is additionally recommending one year extensions at 02/03 prices for the following:

4. Laboratory Services for Potable Water Sampling and Analysis: Monterey County Consolidated Chemistry (\$50,000, 1 year).
5. Landscape Maintenance Services: OneSource Landscape & Golf Services (\$63,900, 1 year).
6. Annual Tree Pruning and Removal: Shimada Landscape, Inc. (\$63,500, 1 year)

Staff has been very satisfied with the work of the three contractors noted above and recommends the option to extend each of these contracts for one year based upon the quality of service being provided and the extension of the current rates.

FISCAL IMPACT: Contingent upon Council approval, funding exists for these agreements in the FY 2003/04 budgets of the Water, Sewer, Streets, and Parks Divisions.

Agenda Item # 9

Prepared By:

Management Analyst

Approved By:

Department Director

Submitted By:

City Manager



Memorandum

Public Works Department

DATE: June 20, 2003

TO: Jim Ashcraft, Public Works Director

FROM: Louise A. Eichhorn, Management Analyst

SUBJECT: FUNDING SOURCES FOR PUBLIC WORKS MAINTENANCE AGREEMENTS

The following are account numbers identifying funds for our recommended FY 03/04 Budget to fund the attached maintenance contracts.

	Account Number	Allocation	Total Cost/Term
1. Dougherty Pump Service	650-42231-5710	\$30,000	\$30,000/year (2 year contract)
2. Peterson Power Systems	650-42231-5710	\$ 5,500	\$22,000/year (2 year contract)
	650-42273-5710	5,500	
	640-42231-5900	5,500	
	640-42273-5900	5,500	
3. Salinas Pump Company	650-422315710	\$60,000	\$60,000/year (2 year contract)
4. Monterey County Consolidated Chemistry	650-42231-5710	\$50,000	\$50,000/year (1 year contract)
5. OneSource Landscape	010-42231-5440	\$ 1,800	\$63,900/year (1 year contract)
	202-42231-6100	7,800	
	229-42231-8351	48,300	
	317-86280-0810	4,800	
	327-86280-7000	1,200	
6. Shimada Landscape	010-42231-5440	\$10,000	\$63,500/year (1 year contract)
	202-42231-6100	53,5000	



CITY COUNCIL STAFF REPORT

MEETING DATE: June 25, 2003

APPROVAL OF PROFESSIONAL SERVICES CONTRACT FOR SEWER TRUNK SURVEYING

RECOMMENDED ACTION(S):

Authorize the City Manager to Execute a Contract in the amount of \$38,000 with Bagoye & King Surveying for a Preliminary Survey of the proposed Sewer Trunk alignment.

EXECUTIVE SUMMARY:

The FY 02/03 budget includes an appropriation to begin design work on a second Sewer Trunk between Morgan Hill and Gilroy. The existing Sewer Trunk has reached its design capacity. The 2002 Sewer Master Plan recommended that the City provide a second Sewer Trunk to provide the capacity anticipated by the current General Plan. Under the SCRWA agreement, the City is responsible for design and construction of the project.

A survey of the proposed route is needed to begin preliminary design and to begin working on permits and environmental clearance. Bagoye & King Surveying has provided a proposal of \$38,000 to take aerial photographs of the proposed route, and prepare plan and profile sheets of the existing Monterey Road features and creek crossings. The proposed Sewer Trunk route would extend from Tennant Avenue to Leavesley Avenue in Monterey Road.

FISCAL IMPACT:

Funds are budgeted in FY 02/03 CIP Budget, Project Number 308094.

Agenda Item # 10

Prepared By:

Contract Engineer

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: June 25, 2003

Agenda Item # 11

Prepared By:

Public Works Director

Submitted By:

City Manager

APPROVAL OF CONTRACT/FUNDING FOR CONTRACT/ TEMPORARY ENGINEERING SERVICES

RECOMMENDED ACTION: Approve the attached contract and funding for two temporary full-time and one contract part-time engineers.

EXECUTIVE SUMMARY: To help our Engineering Division meet their very heavy work load due to a combination of full-time staff vacancies and our very ambitious CIP program, staff has solicited help from contract engineering service providers. We have negotiated services again this year for in-house contract engineers, two on a full-time temporary basis and one on a part-time contract basis.

Sufficient funds exist in the 03/04 budget and therefore no appropriation of funds is necessary, however, since each of the three consultant service providers is expected to receive more than \$20,000 in the fiscal year, Council approval is needed.

A contract is attached with the engineering services contract provider, Mrs. Alice Tulloch. Mrs. Tulloch will be working one to two days per week in City offices and will focus mainly on utility issues, including the construction of our Boys Ranch reservoir, the new trunk sewer project, and other utility related capital projects. Mrs. Tulloch's rate of compensation is \$117/hour with no benefits, and funding will come from our various CIP projects and our CIP administration budget. It is expected that the cost for these services will not exceed \$86,500 in the 03/04 fiscal year. Mrs. Tulloch provided these services in FY 00/01, 01/02, and 02/03.

We have two other full-time temporary engineers both on staff 40 hours per week and compensated at the rate of \$65 and \$70/hour, again without benefits. The two full time temporary engineers serve as project managers, mainly on capital projects and are funded, depending on area of work, from our land development engineering budget, our CIP Administration budget, and our CIP budget. It is expected that the total compensation through the end of the 03/04 fiscal year will be approximately \$120,000 each.

FISCAL IMPACT:

Sufficient funds exist in the 03/04 budget in our Engineering, CIP, and CIP Administration budgets.



CITY COUNCIL STAFF REPORT

MEETING DATE: JUNE 25, 2003

ACCEPTANCE OF STATE HIGHWAY 101 AT TENNANT AVENUE NORTHBOUND RAMPS SIGNAL PROJECT

RECOMMENDED ACTION(S):

1. Accept as complete the State Highway 101 at Tennant Avenue Northbound Ramps Project in the final amount of \$206,152.
2. Direct the City Clerk to file the attached Notice of Completion with the County Recorder's office.

EXECUTIVE SUMMARY:

The contract for the State Highway 101 at Tennant Avenue Northbound Ramps Project was awarded to McGuire and Hester, by the City Council at their November 6, 2002, meeting in the amount of \$197,500. The scope of work consisted of installing a traffic signal, including pavement modification, re-striping and upgrading street lighting. During construction, three change orders totaling \$8,652 were issued for unforeseen conditions encountered during construction. The final construction cost totaled \$206,152.

The work has been completed in accordance with the plans and specifications and Caltrans has officially accepted the project.

FISCAL IMPACT:

This project was budgeted in fiscal year 2001-02 from RDA funds and carried forward into the current fiscal year's CIP Project #502093 for a final contract price of \$206,152. The allocated project construction cost including a 10% contingency was \$217,250. The remaining balance from allocation was \$11,098.

Agenda Item # 12

Prepared By:

Associate Engineer

Approved By:

Public Works Director

Submitted By:

City Manager

Record at the request of
and when recorded mail to:

CITY OF MORGAN HILL
CITY CLERK
17555 Peak Avenue
Morgan Hill, CA 95037

RECORD AT NO FEE PURSUANT TO GOVERNMENT CODE SECTION 27383

NOTICE OF COMPLETION
CITY OF MORGAN HILL
**STATE HIGHWAY 101 AT TENNANT AVENUE NORTHBOUND RAMPS
PROJECT**

NOTICE IS HEREBY GIVEN, pursuant to Section 3093 of the Civil Code of the State of California, that the Director of Public Works of the City of Morgan Hill, California, on the 26th day of November, 2002, did file with the City Clerk of said City, the contract for performing work which was heretofore awarded to McGuire and Hester, on November 6, 2002, in accordance with the plans and specifications for said work filed with the City Clerk and approved by the City Council of said City.

That said improvements were substantially completed on May 5, 2003, accepted by the City Council on June 18, 2003, and that the name of the surety on the contractor's bond for labor and materials on said project is the National Fire Insurance Company of Hartford.

That said improvements consisted of the construction and installation of all items of work provided to be done in said contract, all as more particularly described in the plans and specifications therefor approved by the City Council of said City.

Name and address of Owner: City of Morgan Hill
17555 Peak Avenue
Morgan Hill, California

Dated: _____, 2003.

Jim Ashcraft, Director of Public Works

I certify under penalty of perjury that the foregoing is true and correct.

Irma Torrez, City Clerk
City of Morgan Hill, CA
Date:

**CITY OF MORGAN HILL
SPECIAL CITY COUNCIL MEETING
MINUTES – JUNE 12, 2003**

CALL TO ORDER

The meeting was called to order at 9:30 p.m.

ROLL CALL ATTENDANCE

Present: Council Members Chang, Sellers and Mayor Kennedy
Absent: Council Members Carr and Tate.

DECLARATION OF POSTING OF AGENDA

The meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

WORKSHOP

1. IRC LEEDS CHARRETT

Janet Tam, Noll & Tam Architects; and Lynn Simon led a workshop discussion on green buildings and the point requirements to become LEED certified at the various levels.

Action: *No Action taken.*

ADJOURNMENT

Mayor Kennedy excused himself and the meeting adjourned at 9:42 a.m. The City Council Indoor Recreation Subcommittee consisting of Mayor Pro Tempore Chang and Council Member Carr continued its participation in the workshop.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK



REDEVELOPMENT AGENCY
MEETING DATE: June 25, 2003

**MORGAN HILL COURTHOUSE ENVIRONMENTAL
IMPACT REPORT**

RECOMMENDED ACTION(S): Adopt resolution considering the Environmental Impact Report, making required CEQA findings, and adopting a mitigation monitoring and reporting program for the Morgan Hill courthouse project

EXECUTIVE SUMMARY: On June 3, 2003, the County of Board of Supervisors (County) certified the Environmental Impact Report (EIR), made the required California Environmental Quality Act (CEQA) findings, and adopted the Mitigated Monitoring and Reporting Program (MMRP) for the Morgan Hill Courthouse project. As a responsible agency under CEQA, the Agency must consider the EIR provided by the County who is the lead agency, make required findings, and the MMRP for the project. The Agency had previously consulted with and provided comments to the County as part of the EIR comment process.

FISCAL IMPACT: None

Agenda Item # 14

Approved By:

BAHS Director

Submitted By:

Executive Director

RESOLUTION NO. 5687

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL CONSIDERING THE ENVIRONMENTAL IMPACT REPORT, MAKING REQUIRED CEQA FINDINGS, AND ADOPTING A MITIGATION MONITORING AND REPORTING PROGRAM FOR THE MORGAN HILL COURTHOUSE PROJECT

The City Council of the City of Morgan Hill does hereby **RESOLVE** as follows:

Section 1. Background and Project Description

A. To serve the needs of the south county area, the South County Justice Center complex ("SCJC") in San Martin was constructed and opened in 1995 and included three courtrooms and related court spaces, offices for the District Attorney, Public Defender and Probation Department, and the Sheriff's Office South County Patrol Substation. Though recently constructed, the SCJC experienced water intrusion through the building perimeter that resulted in damage and mold growth. Occupants of the SCJC were relocated to adjacent temporary modular facilities in mid-1999.

B. In 1999, the County completed the *Strategic Plan for Courts, Related Criminal Justice Agencies & Other Court Related County Departments*, a twenty-year facilities development plan for justice systems in Santa Clara County focusing on the determination of staff and space needs of the Court, related justice agencies and court-related County departments. The Strategic Plan determined that the Court and justice agencies are rapidly outgrowing their existing space in the south county area and will required expanded space to accommodate future staff and space projections.

C. In November 1999, the City of Morgan Hill (City) allocated \$7 million in redevelopment monies towards construction of a new court facility within the city redevelopment project area. Because of the City's offer and the expanding population around the City of Morgan Hill, the County decided to pursue construction of a new court facility in Morgan Hill and relocation of the justice operations from San Martin to the new facility. In June 2000, the City and the County of Santa Clara signed a Letter of Intent to pursue development of a new courthouse. An agreement to establish the terms and conditions under which the Morgan Hill Redevelopment Agency would provide and disperse \$7 million of Agency property tax increment funds toward the development and construction of a new courthouse within the City Redevelopment Project Area, titled the *Acquisition, Disposition and Development Agreement*, was executed by the City and the County in early 2001.

D. The proposed Morgan Hill Courthouse project (the "Project") includes the development of two buildings, totaling approximately 80,000 square feet, on an approximately 8-acre site. The buildings would provide space for 6 courtrooms and related court spaces including jury deliberation and assembly space, a Court Clerk's office and court day-holding facilities; offices for the District Attorney, Public Defender and Probation Department; and on-site parking and landscaping. The Project site is located at the intersection of Diana Avenue and Butterfield Boulevard in the City of Morgan Hill.

E. The County of Santa Clara (the "County") is lead agency for the Project under the California Environmental Quality Act ("CEQA"), Public Resources Code section 21000 *et seq.* The County issued a Notice of Preparation ("NOP") of an environmental impact report for the Project on September 12, 2002. The NOP was sent to all responsible agencies, trustee agencies, adjacent property owners, and members

of the public who had previously requested notice. The NOP was published in the Morgan Hill Times, a paper of general distribution. The County held a publicly noticed scoping meeting for the general public and public agencies on September 19, 2002. All aspects of the NOP process complied with Public Resources Code section 21080.4. All comments received during the scoping process were considered in preparing the EIR.

F. A Draft Environmental Impact Report for the Morgan Hill Courthouse project, State Clearing House Number 2002092039, ("DEIR") was prepared for the Project and circulated for public comment on February 18, 2003 for a 45-day public comment period ending April 4, 2003. Copies of the DEIR were provided to all responsible agencies, trustee agencies, adjacent property owners, and members of the public who had previously requested notice. These agencies included, but were not limited to, the City of Morgan Hill, the California Department of Fish and Game, the California Department of Transportation, the Santa Clara Valley Transportation Authority, the California Highway Patrol, the Santa Clara Valley Water District, the Central Coast Regional Water Quality Control City, the California Water Resources Control City, The Department of Water Resources, the Department of Conservation, the Resources Agency, the Department of Parks and Recreation, the Bay Area Air Quality Management District, the California Department of Toxic Substances Control, the Department of Health Services, the California Department of Corrections, the Native American Heritage Commission, the Public Utilities Commission, the State Lands Commission, and various departments within the County of Santa Clara. Copies of the DEIR were also made available at the County of Santa Clara General Services Agency Capital Programs Division, the County of Santa Clara Clerk-Recorder's Office, and the City of Morgan Hill public library. The County held a publicly noticed meeting for the general public and public agencies on March 27, 2003 to receive oral comments on the DEIR.

G. A Final Environmental Impact Report for the Morgan Hill Courthouse project, State Clearing House Number 2002092039 ("FEIR"), was published on May 20, 2003 and promptly provided to the public and all public agencies that commented on the project. The FEIR contains, among other things, the DEIR, responses to all oral and written comments received on the DEIR and text changes to the DEIR (Response to Comments Document), and a draft Mitigation Monitoring and Reporting Program.

H. At its June 3, 2003 regular meeting, the City of Supervisors of the County of Santa Clara (City of Supervisors) certified the FEIR and adopted the Mitigation Monitoring and Reporting Program.

I. In addition to the public meetings and hearings described in paragraphs C through G above, numerous other opportunities for public comment on and participation in Project decision-making were provided over the February, 1999 through December, 2000 time period, including duly noticed public meetings, community forums, town hall meetings, and community resource group meetings.

J. The City of Morgan Hill and the Morgan Hill Redevelopment Agency are responsible agencies under CEQA.

Section 2. Certification of EIR

The City hereby finds and declares as follows:

A. The FEIR for the Project consists of the DEIR dated February 14, 2003 and the FEIR dated May 20, 2003 (Responses to Comments Document). Both documents are collectively referred to as the "EIR" in this Resolution. The EIR is incorporated in this Resolution by reference.

B. The EIR was prepared by County staff and consultants to the County. The EIR reflects the County's independent judgment and analysis regarding all matters stated therein.

C. The EIR was certified by the County Board of Supervisors on June 3, 2003.

D. The information contained in the FEIR dated May 20, 2003 does not constitute significant new information requiring recirculation of the EIR because it did not change the EIR in a way that deprived the public of a meaningful opportunity to comment on any substantial adverse environmental effects of the project or feasible ways to mitigate or avoid such effects. The information in the FEIR merely clarified and amplified the impact analyses and mitigation measures previously discussed in the DEIR. The information in the FEIR did not identify any new significant environmental impacts or a substantial increase in the severity of any previously identified environmental impacts. Nor did the FEIR identify any feasible project alternatives or mitigation measures considerably different from those previously analyzed that would clearly lessen the Project's significant environmental impacts.

E. The EIR has been presented to the City and the City has reviewed and considered the information contained therein before approving the Project and finalizing the acquisition of the property.

F. In taking action on the Project, the City fully reviewed and considered the information contained in the EIR, staff reports, oral and written testimony received from members of the public and other public agencies, and additional information contained in reports, correspondence, studies, proceedings, and other matters of record included or referenced in the administrative record of these proceedings.

G. The administrative record upon which the City's decision is based includes, but is not limited to, the following:

1. The EIR;
2. The reports and other documents cited as references in the EIR;
3. The County's staff report and resolution for the County's certification of the EIR;
4. City Staff report; and
5. All matters of common knowledge to the City including, but not limited to, state and federal laws and regulations and City policies, ordinances, guidelines and regulations

The administrative record is located in the Office of the City Clerk. The custodian of documents for the administrative record is: Irma Torrez, City Clerk, 17555 Peak Avenue, Morgan Hill, California 95037.

Section 3. CEQA Findings

The City has read and considered the EIR prepared for the Project, has considered each potential environmental impact of the Project, and has considered each mitigation measure and alternative evaluated in the EIR. In accordance with the requirements of CEQA and the Guidelines promulgated thereunder, the City makes the following findings based upon substantial evidence in the record:

A. Potentially Significant Environmental Impacts. The EIR analyzes all of the Project's potentially significant environmental impacts. The Project has the potential to directly and/or indirectly significantly impact the following environmental resources: geology, soils and seismicity; hydrology, water quality and drainage; traffic, circulation and parking; air quality, noise, aesthetics and visual quality; biological resources; and cultural resources. The Project's potentially significant impacts are summarized in Chapter II, Table II-1, pages II-3 through II-18-14 of the DEIR as revised per page 4 of the Response to Comments Document, which is attached hereto as Exhibit A, and are more thoroughly discussed in Chapter V of the DEIR and the Response to Comments Document of the FEIR. Based on information in the EIR and other documents in the record, the City finds that the Project does not have the potential to cause any significant environmental impacts other than the impacts identified in the EIR as summarized in Exhibit A.

B. Impacts Avoided Through Adoption of Alternatives. The following impacts were identified as significant in the EIR, but will be avoided or mitigated to less-than-significant levels by adoption of Alternative 2 (Mitigated Project Alternative):

1. Impact E.6 (Spillover Parking): The project peak parking demand (under typical conditions plus jury call) would exceed the proposed off-street parking supply on the project site.

2. Impact G.3 (Noise): Development of a potential City fire station by the City on the 0.5-acre surplus property could expose new noise-sensitive fire station uses to existing noise levels that are unacceptable for such uses. In the absence of any proposed fire station building plans incorporating appropriate noise-reducing features, this would be a significant impact.

3. Impact G.5 (Noise): Operation of a potential City fire station by the City on the 0.5-acre surplus property could generate intermittent single-event noise impacts to on-site and nearby sensitive noise receptors.

C. Impacts That Cannot be Avoided or Mitigated to Less-Than-Significant Levels. The environmental impact of the Project that cannot be avoided or mitigated to less-than-significant levels, despite the adoption and implementation of all feasible mitigation measures and alternatives, is Impact F.4 (Air Quality): The project together with anticipated future cumulative development in the Bay Area would contribute to regional air quality problems.

D. Impacts Avoided or Mitigated to Less-Than-Significant Levels. Except for the significant and unavoidable impact identified above in Part C, all other potentially significant environmental impacts of the Project can and will be mitigated to less-than-significant levels through adoption and implementation of Alternative 2 or mitigation measures identified in the EIR. Alternative 2 is described in Part E, below,

and the adopted mitigation measures are set forth in the Mitigation Monitoring and Reporting Program adopted pursuant to Section 4 below. The post-mitigation level of each of the Project's environmental impacts is set forth in Table II-1 of the DEIR as revised on page 4 of the Response to Comments Document (attached to this resolution as Exhibit A and incorporated herein), and more thoroughly discussed in Chapter V of the DEIR and the Response to Comments Document of the FEIR. During the process of preparing the EIR, commentors proposed additional mitigation measures that the EIR does not recommend be adopted. The City adopts the reasons stated in the EIR as the grounds for rejecting those mitigation measures.

E. Alternatives. The EIR analyzes a reasonable range of alternatives to the Project and Project components sufficient to foster public participation and informed decisionmaking and to permit a reasoned choice, and the EIR adequately discusses and evaluates the comparative merits of the alternatives. Of the three alternatives assessed in the EIR, the alternative with the least environmental impact is the No Project – No Subsequent Development Alternative. Section 15126.6(e)(2) of the CEQA Guidelines states that if the environmentally superior alternative is the no project alternative, the EIR shall also identify an environmentally superior alternative among the other alternatives. Among the other alternatives, Alternative 2 - Mitigated Project Alternative is determined to be the environmentally superior alternative.

Alternative 2. Mitigated Project Alternative – This alternative assumes development of the proposed project with all EIR mitigation measures incorporated as part of the alternative. Correspondingly, this alternative assumes no development of a City-owned and operated fire station of the 0.5-acre surplus property. Under this alternative the County would reserve control over the 0.5-acre surplus property for use as a potential on-site spillover parking area. This alternative would avoid potentially significant and unavoidable noise impacts of the City fire station with the proposed project (Impacts G.3 and G.5 – Noise) and provide additional area on-site for potential additional parking to minimize potentially significant parking impacts (Impact E.6 – Parking). This alternative will not impair or prevent attainment of the Project objectives. This alternative is environmentally superior in that it avoids potentially significant and unavoidable noise impacts and mitigates potential parking impacts. The City adopts these reasons as grounds for approving *Alternative 2. Mitigated Project Alternative* as the superior alternative to the Project.

All other alternatives evaluated in the EIR are rejected because they would either impair or prevent attainment of the Project objectives or are not environmentally superior. The particular reasons for rejecting each of the alternatives include the following:

Alternative 1A. No Project– No Subsequent Development Alternative - This alternative assumes the Project would not be constructed at the site, all site characteristics would remain in their existing condition, and all south county justice-related operations would continue to occur at the existing temporary modular facilities in San Martin. This alternative would not provide for accommodating future justice facility needs of the south county area, and therefore, would not meet any of the Project objectives. Therefore, this alternative is not feasible.

Alternative 1B. No Project– Reasonably Foreseeable Development Alternative – This alternative assumes the Project would not be constructed at the site, the property would instead be

developed with land uses permitted under the existing Morgan Hill General Plan and zoning, and all south county justice-related operations would continue to occur at the existing temporary modular facilities in San Martin. This alternative would not provide for accommodating future justice facility needs of the south county area, and therefore, would not meet any of the Project objectives. Therefore, this alternative is not feasible.

Alternative 3. Courthouse and Justice Agencies Building Development, Plus Non Justice-Related Office Development on Surplus Property Alternative – This alternative assumes development of the courthouse, justice agencies building and associated parking and landscaping proposed under the Project. In place of the City-owned and operated fire station on the 0.5-acre surplus property, the surplus property would be sold or leased to a private or public entity for office development. While this alternative does not impair or prevent attainment of the Project objectives, it is not environmentally superior to the proposed Project.

F. Finding Regarding Mitigation or Avoidance of Impacts. Based on the adopted mitigation measures and alternative components, changes or alterations have been required in, or incorporated into, the project which mitigate or avoid all of the Project's potentially significant environmental effects except the unavoidable effects identified in Part B above.

G. Mitigation Measures for Which Other Agencies are Responsible. Those changes or alterations that are partially or wholly within the responsibility and jurisdiction of other public agencies and that can and should be adopted by those other agencies include the following:

1. Mitigation Measure F.4 (Rideshare Measure) – The Superior Court would have responsibility for and jurisdiction over implementing a carpool/vanpool program for its respective employees at the project site.

2. Mitigation Measure G.3 (Fire Station Noise Reductions) – If a fire station is developed by the City of Morgan Hill on the 0.5-acre surplus property, the City shall incorporate adequate noise reduction features into the project design such that the maximum, indoor noise level at the fire station would be 45 DN>, with a maximum instantaneous noise level of 50 dBA in the sleeping quarters, and 55 dBA in all other habitable areas.

3. Mitigation Measures G.5a (Fire Station Noise Reduction Features for Generator) – If a fire station is developed by the City of Morgan Hill on the 0.5-acre surplus property, the City shall incorporate adequate noise reduction features for its emergency generator to ensure noise generated during tests comply with City noise ordinance standards.

4. Mitigation Measures G.5b (Fire Station Noise Insulation Features) – If a fire station is developed by the City of Morgan Hill on the 0.5-acre surplus property, the City shall incorporate adequate noise insulation features for residences in the immediate vicinity of the fire station.

H. Statement of Overriding Considerations. With respect to the significant and unavoidable environmental impact identified in Part B above, the City finds that all feasible mitigation measures and alternatives have been adopted and that, pursuant to Public Resources Code section 21081(b), there are

specific overriding economic, social, technological and other benefits of the Project that outweigh the significant effect on the environment. These benefits, which will accrue to the County of Santa Clara, the City of Morgan Hill, the Superior Court and the general public, warrant approval of the Project notwithstanding the Project's remaining significant impact, and include the following:

1. The *Strategic Plan for Courts, Related Criminal Justice Agencies & Other Court Related County Departments* (County of Santa Clara, 1999) determined that the Court and affiliated justice agencies are rapidly outgrowing their current space in the south county area and will require expanded space to accommodate future staff and space projections. The Project is intended to provide adequate and appropriate space for these justice-related operations through the year 2020.

2. The Project is intended to provide a permanent structure and location for all south county justice-related operations. Without development of the Project, these justice-related operations would continue to occur at the existing, inadequate temporary modular facilities in San Martin.

3. Located in the downtown redevelopment area, the Project would contribute to the revitalization effort being undertaken by the City of Morgan Hill.

4. The *Acquisition, Disposition and Development Agreement* entered into between the County, City of Morgan Hill, and the City of Morgan Hill Redevelopment Agency in early 2001 provides for \$7 million in funding toward development of a new courthouse within the City Redevelopment Area. Without this funding assistance, development of a courthouse to meet the needs of the south county area would not be economically viable.

Section 4. Adoption of Mitigation Monitoring and Reporting Program

Pursuant to Public Resources Code section 21081.5, the County has prepared a Mitigation Monitoring and Reporting Program ("MMRP") which provides for implementation, monitoring, reporting, and enforcement of all conditions and mitigation measures adopted to mitigate and/or avoid the Project's significant environmental impacts. The MMRP is referenced and incorporated herein. The mitigation measures in the MMRP are identical to those proposed in the EIR; where the EIR presented a range of options for mitigating a particular impact, the MMRP identifies the mitigation measure selected by the County. The MMRP is hereby adopted and approved by the City Council.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 25th Day of June, 2003, by the following vote.

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:

🏛️ CERTIFICATION 🏛️

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. 5687, adopted by the City Council at a Regular Meeting held on June 25, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

Exhibits to this Resolution:

Exhibit A – DEIR Table II-1, Summary of Environmental Impacts and Mitigation Measures and
Page 4 of the Response to Comments Document

**CITY OF MORGAN HILL
JOINT SPECIAL CITY COUNCIL
AND SPECIAL REDEVELOPMENT AGENCY MEETING
MINUTES – JUNE 11, 2003**

CALL TO ORDER

Mayor/Chairman Kennedy called the special meeting to order at 6:00 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Carr, Chang, Sellers and Mayor/Agency Chairman Kennedy
Absent: Council/Agency Member Tate.

DECLARATION OF POSTING OF AGENDA

City Clerk/Agency Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

PUBLIC COMMENT

City Council and Redevelopment Agency Action

CONSENT CALENDAR:

Action: On a motion by Council/Agency Member Carr and seconded by Council/Agency Member Sellers, the Council/Agency Board, on a 4-0 vote with Council/Agency Member Tate Absent, **Approved** Consent Calendar Item 1, as follows:

1. **JOINT REDEVELOPMENT AGENCY AND SPECIAL CITY COUNCIL MEETING
MINUTES OF MAY 28, 2003**

Action: **Approved** the minutes as written.

City Council and Redevelopment Agency Action

OTHER BUSINESS:

2. **2003-2004 BUDGET WORKSHOP**

City Manager/Executive Director Tewes presented the staff report, indicating that the City Council scheduled this special meeting for the purpose of continuing its review of the proposed 2003-04 Budget and Capital Improvement Program. He indicated that at the last Council workshop, the

Council asked staff a series of questions which staff has responded to in the staff report. He indicated that a power point presentation will review some of the issues and information that the Council has seen before. Staff will provide additional scenarios and answer questions previously raised by the Council. He indicated that department heads and key budget staff members were in attendance and available to walk the Council through the review of the budget. He informed the Council that the budget is scheduled for its adoption consideration on June 18, 2003, following a public hearing. He said that one of the major uncertainties facing the City is the effect of the State's budget. He felt that it would be fruitless to speculate what would happen to the City's budget with respect to the effect of the State budget on local government. He said that it would be highly unlikely that the State will meet its constitutional deadline for the adoption of the budget. Staff recommends that the Council proceed to adopt the budget, as recommended, as it addresses local challenges imposed. He said that the local economy is not sufficient to generate enough revenue to sustain the level of services the community has come to enjoy. He noted that the budget puts the City on a five year path to meet the challenges. He indicated that the proposed budget meets all of the needs of the community. As the community grows and expectations increase, its needs will not be met by the City as the City will have to shrink the organization in order to meet the five year plan. However, in the five year plan and with the City's substantial reserves, it gives the City the opportunity to proceed in a thoughtful and managed approach versus immediately making major reductions in services. He indicated that the proposed budget for the year is the first of a five year plan.

Finance Director Dilles presented a power point presentation and addressed budget challenges. He addressed how the City would balance revenues and expenditures by 2007-08 (five years). He said that \$189,000 would need to be cut from the budget document for Fiscal Year 2003-04 and that this number would need to increase twice this amount each of the five years in order to bring revenues and expenditures into balance.

City Manager/Executive Director Tewes stated that at the previous budget workshop, staff informed the Council/Agency that it did not make many, if any, structural changes in the proposed budget. Examples of structural changes that occurred in the early 1990s were the significant reduction to the police force, elimination of recreational services and contracting out fire services. He indicated that when the Council decided to use one time reserves in the vehicle replacement fund, it was not a structural change. He said staff's forecast includes one important structural change. He said that historically, the City transfers funds from the general fund to the street fund to help sustain the street maintenance effort. He felt that it was important for the Council to understand that the five year plan already assumes that the City will no longer contribute to street maintenance from the general fund. He said that this is a structural change that is adopted in the five year forecast.

Finance Director Dilles referred the Council/Agency to page 43 of the Agenda packet. He said that not only are the City's revenues and expenditures considered to be imbalance at this point, but that the City would end up approximately \$90,000 short of the 40% reserve level at this point. He presented a scenario in which \$824,000 is used as a one time cost reduction rather than performing the escalating cuts that would go up each year by approximately \$189,000. If the City instead carves \$124,000 out of next year's budget or finds a new revenue source, this would have a similar affect. The \$124,000

would be structural and would need to be in place every year. This scenario would place the City in balance by the end of five years and would give the City a positive fund balance by approximately \$1.5 million at the end of the five years. The Council asked that staff look further at potential revenue enhancement measures. He said that the Finance & Audit Committee has reviewed possible revenue enhancement measures, including a 55% survey result of individuals in support of a \$10 per month increase in local taxes to maintain police and fire protection as well as parks and recreation services. Those individuals who did not support the increase indicated that they would support a tax if the dollars were used not just to maintain but to enhance services. He said that the result of the responses of the additional question brought up the total support from 55% to 64% to expand and maintain services. He felt that the survey shows some level of support for some kind of a tax increment. He summarized that what the scenarios show that if the City pays \$3.1 million in general plan fund for the police facility, cut \$175,000, escalating each year for five years, and reduce the reserve requirements down to 23% would result in a picture where revenues and expenditures are in balance at the end of the five year period. He said that this is one scenario and that there may be other scenarios that can be studied.

City Manager/Executive Director Tewes said that included in the agenda packet, but not in the power point presentation, were a series of answers to questions relating to the Capital Improvement Programs such as projects funded in future years that were based on certain assumptions about revenues.

Council/Agency Member Sellers stated that he appreciated the extra work that has been put into the five year budget. However, it was frustrating to hear individuals state that the City is in a deficit because the City is not talking about it this year in terms of raw numbers. He said that fundamentally, the City is talking about preserving the 40% reserve while making, in subsequent years, what he considers to be draconian cuts in services and institutionalizing them as “structural changes.” This was another way of stating that cuts in personnel and services would be made. He stated that he did not agree with this concept as it does not make sense. He said that the Council should be reluctant to do this in any event, particularly when the City is sitting on a very excessive reserve. He felt that the Fiscal Year 2003-04 budget is a sound one and that it makes sense to move forward with it. He felt that there were some assumptions that the Council was making that were wrong and that he would like to address these as the Council moves forward. He felt that the first opportunity that the Council would have to address the assumptions would be in the fall when the City receives better numbers from the State. The Council would be looking at this in subsequent years as well. He felt that the Council needs to revisit the whole issue of the reserve policy. He recommended that the Council adopt the budget on June 18 and make changes as it moves forward.

City Manager/Executive Director Tewes indicated that staff is recommending the budget before the Council and that staff believes that it is a responsible approach to the five year plan. Staff is recommending Council approval of the first year of the five year plan. He clarified that his comments alluded to possibly consequences in future years.

Council/Agency Member Sellers felt that it would be sound to approve the budget before the Council once it has gone through the budget process. He said that the Council can go back and review the different scenarios and assumptions presented this evening. He felt that the Council needs to identify, quantitatively, where the cuts would come from and what services would not be offered. He felt that staff has done an incredible job of shielding the Council from the implications of some of the assumptions. He felt that once the Council gets pass this budget, it would be vital for the Council to address implications and possible cuts.

Mayor Pro Tempore/Vice-chair Chang agreed that the reserve policy should be revisited in the fall. She would like to discuss the various scenarios as well as the reserve policy. She felt that the Council needs to understand what is meant by a “soft landing.” She stated that she supports the budget as presented and that she did not want to make any structural cuts at this time. She understood the \$189,000 reduction as a beginning number in order to achieve a soft landing but that she was not considering doing so this year. She recommended that the Council revisit the budget in October when the State identifies its budget. She felt that there was some flexibility in dealing with the budget.

Council/Agency Member Carr felt that it would be prudent for the Council/Agency to look further at the implications and what these implications mean. He did not believe that this has to take place before the Council/Agency adopts the budget. He felt that the City Manager/Executive Director laid out a realistic scenario for the Council to consider with different implications based on what happens with the State’s budget in the next few months. He recommended that the Council/Agency be prepared to adopt the budget with the idea that it spends the next 3-4 months studying budget implications. These may become things that get inserted into the budget or into the five year plan. He noted that the scenarios presented by staff talks about annual cost reduction plans. In addition to these, the Council/Agency could be discussing revenue enhancements. He felt that a combination of these two would be important to investigate. He said that the Council needs to discuss the reserve policy. He would agree to spend some time once the Council adopts the Fiscal Year 2003-04 budget to study issues and how they would play out over the five year projections.

Mayor Pro Tempore/Vice-chair Chang stated that it was her hope that the economy will improve and that the growth will be greater than 3%. It was also her hope that the City would not need to make cuts or structural changes. She felt that the budget could be reviewed on a year to year basis.

Mayor/Chairman Kennedy indicated that he is often asked by members of the community and other communities how the City is doing financially. He felt that the City was being “cautiously optimistic.” When compared to San Francisco and San José, the City of Morgan Hill is in great shape. However, this does not mean that the City is without areas of concern and should be focused on. He felt that the approach that the budget presents is one that takes a prudent approach; one that the Council/staff will hold the line on expenditures, and try to keep control of costs without adversely impacting services. The Council will need to look at finding new sources of revenues. He agreed that the Council needs to revisit the reserve policy in the fall, noting that the City has a healthy reserve that is 60-65% of the general fund budget. He felt that it was important for the Council to look at a five year projection and consider the various options so that the City knows what it is getting into as it

moves forward. The Council could be prepared to make mid course corrections, as necessary. He felt that the budget clearly shows that the City needs to be careful with its expenditures and that there needs to be continuous focus on finding new sources of revenues for the City. He noted that the City is one of the lowest sales tax producing cities per capita of any city in Santa Clara County. The City is one of the lowest spending cities in terms of recreational services per capita for the residents in the community. He felt that residents expect the best and that staff is doing its best to provide these services and yet protect the quality of life. He stated that staff has done an excellent job in preparing/presenting the budget. He supports moving forward with the budget as presented by staff.

Mayor/Chairman Kennedy opened the floor to public comment.

Joe Mueller indicated that the City has been very generous with the Morgan Hill Community Health Foundation since its inception. He said that the City matched the last \$70,000 raised by the Foundation. With the restoration of medical services being high on the priority list, the Foundation would like to request the Council keep in mind the potential for a new match. He said that the two highest priorities of the Foundation are to recruit/retain primary care physicians and to work on extended areas of medical services in Morgan Hill. He requested that the Council/Agency earmark matching funds for a suitable project that may come forward.

No further comments were offered.

City Manager/Executive Director Tewes indicated that the Council previously set aside this Friday as an opportunity for a special workshop to further consider the budget. It was his understanding, based on Council/Agency comments, that the Council does not need to move forward with this special workshop. He stated that the public hearing on the budget will be held on June 18, 2003 where the Council will be asked to adopt the Fiscal Year 2003-04 budget and Capital Improvements Program.

Mayor/Chairman Kennedy requested that funding for medical services be kept on the list as the City continues to move forward.

Action: **No Action Taken.**

3. CAPITAL IMPROVEMENT PROGRAM (CIP)

City Manager/Executive Director Tewes presented the staff report and indicated that staff has answered a number of questions that the Council has asked. He stated that responsible staff members were in attendance should the Council wish to discuss any single capital improvement item.

Council/Agency Member Carr noted that the packet included questions that both the Planning Commission and the Parks and Recreation raised when reviewing the CIP. He said that one of the things that the City is relying on for the new police facility is the sale of the library land. He inquired whether the assumption would be to sell the library land regardless of the outcome of Proposition 14 dollars.

City Manager/Executive Director Tewes said that the land sale that is being proposed in the CIP would occur if the library was to be built on the land to be sold behind City Hall. If for some reason the City does not use the land, it need not be sold and the City would not receive the proceeds from the land sale. He indicated that the City government owns the property and that the property would be sold to the Redevelopment Agency.

Council/Agency Member Carr noted that there is a \$50,000 expenditure listed for Fiscal Year 2003-04 and \$100,000 in Fiscal Year 2004-05 for the El Toro Youth Center. He inquired whether these were planning dollars for professional services and CIP administration in Redevelopment dollars.

City Manager/Executive Director Tewes indicated that this was a project that would expand the El Toro Youth Center currently operated by Community Solutions. He indicated that approximately two years ago, the Council asked staff to include this in the five year CIP. When the Council did so, there was no identifiable funding source. He said that this was not specifically included within the Redevelopment Agency's allocations of funds. Last year, staff identified the Community Development Block Grant program as a funding source and that the funding source was approved by the Council. This action would require a loan from the CDBG program to be repaid out of future allocations. This would result in projects that the City is currently working not being completed in the future should all of the resources from CDBG funds were to be pledged to repay this loan. However, staff does not know what needs to be done to expand the El Toro Youth Center. Staff is proposing that before investing a lot of monies in capital improvements, that the City conduct a master planning of the area where the Youth Center currently exists along with the Friendly Inn and Galvan Park.

Council/Agency Member Carr noted that the Parks and Recreation Commission asked a question about park land purchase. The Commission felt that all of the funding for this project was transferred to the aquatics complex.

City Manager/Executive Director Tewes stated that a couple of months ago, the Parks and Recreation Commission reviewed options on how to pay for the outdoor sports complex at the Council's request. The Commission recommended that the City initially transfer some monies from the Parks Land Acquisition fund toward this purpose. The Commission's question implies that they thought that the money was all used up. He clarified that there is still money to conduct park land acquisitions even with the advance of funds because there is a continuing source of revenue for the fund. He indicated that each and every year the City receives Park Development Impact Fee funds.

Mayor/Chairman Kennedy recommended that a contingency plan for the Library be discussed in the future so that the City does not lose the opportunity to proceed with the construction of a new library, vacating the old facility so that there is funding available for the new police facility. He noted that the State will be making a decision on the library grant in September. Therefore, he recommended that a contingency plan be scheduled following the award of the grants.

City Manager/Executive Director Tewes indicated that there were 60+ library grant application proposals submitted, five times as many requests as dollars available. The City has improved its library proposal and stated that it was staff's belief that the City's chances are better than they were in the first round. However, a decision will not be made until September. He indicated that the new police facility would be funded this calendar year. He stated that the new library site is owned by the City-government. The financing plan would be that the Redevelopment Agency would purchase the land. He indicated that the Redevelopment Agency can only purchase the land for an appropriate redevelopment purpose and that library is one of these purposes. If the City does not build a library on the site, he indicated that there were other appropriate Redevelopment purposes for the property that could be discussed that would still allow the Redevelopment Agency to pay the City for the property. He indicated that this discussion could take place in September 2003 without delaying the police facility.

Mayor Pro Tempore/Vice-chairman Chang felt that it was appropriate to use park funds for the aquatics complex as it is a related use.

Mayor/Chairman Kennedy said that yesterday, he made it a point to stop by the Santa Clara Swim Center. It contains a park, community center and a library on the same site. He felt that the City needs to look at other models and that the Santa Clara Community Center/aquatics center/central park was a good model to explore as it serves the athletic sports needs as well as other recreational needs.

Council/Agency Member Carr stated that the City is short \$1 million for Fiscal Year 2003-04 for a regional soccer complex. He did not recall whether the Council defined what the \$1 million would be used for. He felt that before these dollars are spent there needs to be a discussion about these dollars. He stated that it would not be his intention to spend these dollars in another City's jurisdiction to help build the soccer complex. The Council needs to have a good conversation about how the \$1 million would be spent instead of assuming that it would be going to a regional soccer complex that would more than likely be located outside the City's jurisdiction.

Mayor/Chairman Kennedy requested that staff agendize the discussion of the \$1 million at the appropriate time.

Council/Agency Member Sellers said that there was discussion about the elimination of the street maintenance fund as part of the general fund. He felt that this action was appropriate this year and in subsequent years. He stated that he would be sensitive to making this as a structural change. He said that his first term on the Council was spent in trying to catch up on all deferred maintenance throughout the City. Maintenance, in some areas, was too long in coming. As the City moves forward, he would like the Council to look at street maintenance and help define/point out where there are deficiencies that cannot be met with existing funds. The Council may need to look at general funds in subsequent because it does not make sense to go back to where the City was a few years ago.

Mayor/Chairman Kennedy agreed that he did not want to see street maintenance becomes a structural change.

City Manager/Executive Director Tewes indicated that there were two aspects to the street fund: 1) the annual asphalt major repair and 2) rehabilitation work. This is financed from gas tax funds and grants. He noted that the Director of Public Works presented a report that suggests that the City receive an advance on many of the grant funds from VTA. These funds have now been spent. Another source of funding is the Redevelopment Agency. He said that the Redevelopment Agency will run out of funds available to make investments in street improvements next fiscal year when the City completes the resurfacing of Monterey Road based on Agency allocation. He stated that the general fund money has gone not so much to support this kind of activity but rather the on going day to day maintenance activity such as picking up litter, fixing signs, and dealing with pot holes. He indicated that these day to day maintenance activities are the ones likely to suffer by virtue of reduction in funding.

Mayor/Chair Kennedy opened the floor to public comment. No comments were offered.

Action: **No Action Taken.**

City Council and Redevelopment Agency Action

CLOSED SESSIONS:

City Attorney/Agency Counsel Leichter announced the below listed closed session items.

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Significant Exposure/Initiation of Litigation

Authority: Government Code Sections 54956.9(b) & (c)

Number of Potential Cases: 2

2.

CONFERENCE WITH LABOR NEGOTIATOR:

Authority: Government Code Section 54957.6

Agency Negotiators: Ed Tewes, City Manager; Helene L. Leichter, City Attorney; Mary Kaye Fisher, Human Resources Director

Employee Organization: AFSCME Local 101
Morgan Hill Community Service Officers Association
Morgan Hill Police Officers Association

Unrepresented Employees: Custodian/Building Maintenance Worker
Government Access Technician
Maintenance Worker Assistant
Utility Worker Assistant

Executive Management Group 1-A
Chief of Police
Director of Business Assistance & Housing Services

Director of Community Development
Director of Finance
Director of Public Works/City Engineer
Human Resources Director
Recreation and Community Services Manager
Assistant to the City Manager
Council Services and Records Manager

Middle Management Group 1-B

Police Captain
Deputy Director of Public Works
Assistant City Attorney
Assistant Director of Finance
Chief Building Official
Human Resources Supervisor
Planning Manager
Senior Civil Engineer
Budget Manager
Business Assistance and Housing Services Manager
Police Support Services Supervisor
Senior Planner
Project Manager
Utility Systems Manager
Recreation Supervisor
Secretary to the City Manager

Confidential Non-Exempt Employees Group 1-C

Administrative Analyst
Secretary to the City Attorney
Accounting Technician
Human Resources Assistant

3.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Pursuant to: Government Code 54957
Public Employee Performance Evaluation: City Manager
Attendees: City Council, City Manager

OPPORTUNITY FOR PUBLIC COMMENT

Mayor/Chairman Kennedy opened the Closed Session items to public comment. No comments were offered.

ADJOURN TO CLOSED SESSION

Mayor/Chairman Kennedy adjourned the meeting to Closed Session at 7:18 p.m.

RECONVENE

Mayor/Chairman Kennedy reconvened the meeting at 8:45 p.m.

CLOSED SESSION ANNOUNCEMENT

City Attorney/Agency Counsel Leichter announced that no reportable action was taken in closed session.

ADJOURNMENT

There being no further business, Mayor/Chairman Kennedy adjourned the meeting at 8:46 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK/AGENCY SECRETARY



CITY COUNCIL STAFF REPORT

MEETING DATE: June 25, 2003

DISCUSSION OF PHASING FOR COMMERCIAL PLANNED UNIT DEVELOPMENT (PUD)

RECOMMENDED ACTION(S): Discuss and give direction regarding the phasing of development within PUD zones.

EXECUTIVE SUMMARY: This item was initially scheduled for discussion on the February 19 agenda. At the request of the representative of the property owner(s) the item was continued to the first meeting in June. Due to the late hour of the June 18 meeting, this item was continued to the June 25 meeting.

On January 16, the Council discussed the proposal to develop a gas station, mini mart, car wash, fast food restaurant and a 10,000 sq. ft. medical office building as Phase I of the PUD development proposed on 29 acres on the southwest quadrant of Tennant Avenue and Highway 101. The purpose of the Council discussion was to provide direction as to whether the ancillary uses proposed as part of a PUD could be constructed prior to larger commercial uses within the PUD. After considerable discussion of the topic, no action was taken which had the effect of confirming the Planning Commission's direction on the same issue. Council member Carr subsequently asked that the matter be reconsidered by the Council so as to provide clearer direction to the applicants.

Land Use Policy 10c of the General Plan requires all commercial areas at freeway interchanges to be zoned PUD to ensure that the properties develop in a coordinated manner addressing such issues as design, signage and circulation. Action 10.5 under this policy states that the Zoning Ordinance should be amended to require ancillary commercial uses, such as fast food restaurants and service stations, on lands around interchanges to be part of larger developments.

Two property owners within the Tennant Ave. PUD would like to move forward with development of their properties. Specifically, one would like to construct a gas station, mini-mart, fast food restaurant and a car wash at what would be the southeast quadrant of the future intersection of Juan Hernandez Dr. and Tennant Ave. The second owner would like to construct 10,000 sq. ft. of medical office building. Pursuant to the PUD ordinance, a master plan and development guidelines have been submitted for the entire 29-acre PUD. At this time, no anchor tenants or major retailers have been identified for the PUD.

Staff met with the applicants' representatives to discuss the possibility of the medical office building moving forward separately since it is not defined as an ancillary use and would not necessarily need to be part of a sub-regional shopping center. Also discussed was the possibility of securing a large retail commercial use to accompany the gas station/fast food uses proposed for that parcel. The applicants' representatives indicated that there are no other commercial users interested at this time and the property owner is not interested in pursuing the medical office building separate from the fast food and carwash gas station use.

The applicants would like the Council to amend or interpret Action 10.5 to allow ancillary uses to precede development of larger/major uses within PUD's.

The Planning Commission discussed this issue at their meeting on September 24, 2002 and the majority (5-2) indicated that the gas station/fast food restaurant should develop as part of the larger development and not be allowed to develop first. Attached for the Council's reference is the January 15 Council minutes and the Planning Commission's 9/24 staff report and minutes.

FISCAL IMPACT: None. Filing fees were paid to cover the cost of processing this application.

Agenda Item # 16

Prepared By:

Senior Planner

Approved By:

Director of Community Development

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: June 25, 2003

Agenda Item # 17

Prepared By:

Public Works Director

Submitted By:

City Manager

APPROVAL OF TRUNK SEWER FUNDING IN GILROY AT NEW TARGET DEVELOPMENT

RECOMMENDED ACTION:

1. Authorize maximum expenditure of \$400,000 from unappropriated Sewer Impact Fee fund balance for this co-op project with City of Gilroy.
2. Approve concept of cost sharing agreement and authorize the City Manager to execute, subject to review and approval by the City Attorney.

EXECUTIVE SUMMARY: Our staff was recently approached by City of Gilroy staff informing us that their consultant updating their Wastewater Master Plan has identified the need to upgrade the shared trunk sewer serving both cities through the city limits of Gilroy. As the attached 6/10/03 memorandum summarizes, the main reason for this finding is that the existing 33" trunk sewer constructed in late 1960's was found to be under-capacity due to the pipe being installed at a grade much flatter than originally designed, and our agreements are clear that the two cities share this capacity on a 50/50 basis. This is a critical issue at the moment because of the new Target development under construction at the southeast corner of Highways 152 and 101, which will be constructing a landscaped parking lot over 2000 lineal feet of the existing trunk sewer and a parallel trunk sewer needs to be constructed immediately in the open field so that in the future we are not sustaining additional costs for removing and replacing the parking lot and landscaping.

The City Council of Gilroy did approve the attached recommendation to authorize the Target developer (Regency Centers) to construct the 2000 lineal feet of trunk sewer line underneath the planned parking lot at an estimated cost not to exceed \$800,000. Gilroy took action to approve their \$400,000 expenditure, since their consultant estimates the capacity will be needed on a 50/50 split between the two cities and now recommends the City of Morgan Hill approve our \$400,000 share.

Staff recommends Council approve this request from the City of Gilroy, but we will need to spend more time studying the much larger issue than is presented here. If it's true the entire trunk sewer through the city limits of Gilroy is under-sized, then City of Morgan Hill will be responsible for installing an extra five miles of trunk sewer and we will be hiring a consultant soon to study the need and cost of that possibility. The City's recently completed Wastewater Master Plan assumed a new parallel trunk was needed from Morgan Hill to the city limits of Gilroy, but did not identify the need for an additional trunk five miles to the wastewater treatment plant. If this capacity is indeed needed, the result would likely be another \$5,000,000 of trunk sewer expense to be added to our Sewer Impact Fees, however the construction of the trunk would not be needed for at least 5 and possibly 10 years based upon current growth projections.

FISCAL IMPACT: Funding is currently available in our unappropriated Sewer Fund Fee fund balance.



CITY COUNCIL/REDEVELOPMENT

AGENCY MEETING DATE: June 25, 2003

UTILITY UNDERGROUNDING FOR THE ISAACSON GRANARY

Agenda Item # 18

Approved By:

BAHS Director

Submitted By:

Executive Director

RECOMMENDED ACTION(S): Direct staff to work with the Council Economic Development Subcommittee to develop a program to assist developments with either the payment of utility undergrounding in-lieu fees and/or the installation of the utility undergrounding.

EXECUTIVE SUMMARY: (NOTE: This item was continued from the June 18, 2003 meeting.) In May 2003, the City Council/Redevelopment Agency considered a request from Weston-Miles Architects (WMA) asking that they should not be required to underground the overhead utilities for their renovation of the existing Isaacson Granary into 10,000 sq. ft. of commercial/office space. WMA cited reasons for why the undergrounding improvements should be deferred including that it placed an unanticipated financial burden on their project. However, since that meeting, WMA has reconsidered their request and is now willing to pay the in-lieu fee, but would like the City to allow WMA to pay the fee off in monthly installments over a four (4) year period, at no interest, with the first year of payments deferred.

At the May 2003 meeting, staff reported to the Council that deferred development agreements were not permissible under the current municipal code and had been discontinued for several years. Staff recommended that WMA be allowed to pay the in-lieu fee pursuant to the public hearing process. The City Council directed staff to report back at this meeting regarding options for addressing the utility undergrounding requirements. Staff supports the development of a program to address these concerns and proposes the following options which would only apply to those projects that pay the utility undergrounding in-lieu fee:

- Create a new City program similar to the existing traffic fee/sewer fee financing program which finances in-lieu fees. The key terms we would propose would be up to a \$50,000 loan could be approved administratively, 20% down payment, up to a five year term, and interest rate would be LAIF plus .5% to cover administrative costs.
- Exempt specific areas or projects such as projects in the downtown from paying the fee.
- Modify the threshold for triggering the requirement.
- Create a new or modify existing Agency program to assist with the financing of the utility undergrounding fees.
- Combination of the above options

Most of the above options do not address those projects which actually underground the utilities as a requirement of their project. We would not recommend a program, at this time, to financially assist developments incurring this expense due to limited Agency resources for economic development activities. However, the Council could consider modifying the current municipal code thresholds which trigger the requirement.

Staff recommends that options to develop a program to assist with utility undergrounding be referred to the Council's Economic Development subcommittee for further consideration and recommendation. The Subcommittee could be directed to first develop a program to address WMA's request.

FISCAL IMPACT: Depends on the actions undertaken by the Agency/City Council